Defining Services as Tangible Products

Creating Total Customer Satisfaction: A Service Quality Strategy That Will Work For You

By Robin Lawton On the Web Reprinted with permission from the author

A great deal of energy has been invested by US manufacturers to improve competitiveness since 1980. Armed with the rediscovered teachings of Deming, Juran, Crosby, Akao and others, significant strides have been made in improving manufacturing quality and operations; but many would say this isn't enough.

The key, others say, is to launch similar efforts in administrative and non-manufacturing areas to complete the effort. But how big is the task and do we have the right tools and strategies?

How large is our service sector? Over three quarters of the US workforce, by some reports, is paid for doing service work (administrative and non-manufacturing work). With this three quarters of the workforce number in mind, it's easy to see that it is essential that we develop at least the same level of skill and commitment in managing service quality as we have done in manufacturing.

Do we have the right tools and strategies? I believe we can actually go beyond the traditional improvement initiatives being implemented by manufacturing organizations. The goal here is to outline the key issues and methods necessary to build a quality conscious culture responsive to the needs of both internal and external service customers.

Reframing Our Concepts Of Service Work

We need to demystify and reframe how we think about and manage service quality if we are to achieve significant change.

New service assumptions--The assumptions used in this reframing may differ from conventional thinking in several ways, but consider the following as a start:

- Service quality is not customer service (although customer service and customer relations are part of service quality).
- Manufacturing-based models and techniques for managing quality may be more hindrance than help in beginning service quality management efforts unless jargon is removed and an appropriate sequence for change is used.
- Appropriate language usage can speed the introduction of change. Technical jargon (i.e. SPC, QFD, DOE, JIT) is best avoided while words like service and customer require explicit definition.
- The most advanced total quality management or service quality management methods and techniques will have only limited impact until the producer-centered cultures of our organizations are transformed into customer-centered cultures.
- Significant change in customer satisfaction and cultural orientation can occur without initial massive training efforts.

From a producer-centered to a customer-centered culture--Changing the culture of an organization is no small task. The proven process outlined here has been effectively used in government, transportation, electronics, banking, retailing, heavy manufacturing and communications industries. It addresses the initial changes in language, roles and measures which can help speed your effort.

Creating Total Customer Satisfaction

Even if service quality and customer service are not synonymous terms, the ultimate objective is the same: total customer satisfaction.

Measuring complaints isn't enough--In the broadest sense, service quality exists to the degree our customers are satisfied with, or excited by, our services. However, since the typical organization won't hear from 96 percent of its unhappy customers, counting complaints can mislead you. (Research by TARP indicates that for every complaint, the average company has 26 customers with problems.) It is clear that we cannot rely on complaints as a measure of our performance.

Designing quality into your services--The goal is/should be to design quality into our services. That can be accomplished by focusing on the three major factors which determine quality and customer satisfaction:

1. Objective performance of the service or manufactured product.
2. Perception of the product and related subjective experiences.
3. Outcome or desired results achieved by use of the product.

We could focus on these three factors all day long and still not achieve better results. In fact, many have had that experience because they count or measure already existing data.

We have found that using the following six-step process helps immeasurably in developing a new and systematic view of services in any organization. A walk through these steps should help you gain a new perspective on the service processes in your own organization.

Step one: define services as tangible products-- We normally think of service as a continuous activity, an intangible something we can't measure. The word *service* has a very fuzzy meaning. Even though most of us would say we perform service work, it can be very difficult to define what that means. Think of the various ways we use the word.

Given this partial list of how we use the word service, is there a one-word synonym for service? Most people have a hard time answering that question.

Two of the most common definitions of service are *help* and *assist.* Both of these words imply reactive activity, not proactive behavior. In fact, even though service can be either a verb or noun, most are inclined to think of service as an activity; a verb.

Service defined as a verb and by producer-centered thinking. The labels we use for organizational functions reinforce our concept of service as activity. Engineering, purchasing, marketing, accounting, data processing and training are all verbs.

When we embark on improving an activity, we look at changing *how* we do what we do (process). This is a great area of opportunity but the wrong place to start for service.

We can achieve a wonderfully efficient, error-free process but produce something our customers don't want. It also misses the basic fact that customers generally don't care how we do our work. This focus on internal activity encourages producer-centered thinking.

Service defined as a noun and by customer-centered thinking. I have found that customers do care about what we provide them--things which help them achieve some desired outcome. These things are products. Products are nouns, deliverables, objectively observable, countable and occur in discrete units.

In service work, these products are usually some form of packaged information. Some general types of service products include:

- a plan
- a course
- a design
- a procedure
- a policy
- a process
- a speech
- a system
- a report
- a recipe
- a proposal
- a greeting
- a diagram
- a design
- a delivery
- a meeting
- an answer
- a contract
- a schedule
- a manual
- a diagnosis
- a program
- an invoice

Products are concrete. Every product has a producer and at least one customer. The service product is the link between us and our customers, both internal and external customers. Its identification is essential for creating a customer-centered culture.

Identifying service products sounds easy. Your first reality check is to identify your own service products. Take a moment to write down three service products which represent the mission of your immediate work group. (If you can't make it plural, it isn't a product.)

Understanding this concept--service as a product--is absolutely critical to everything else we will address here. The real beauty of identifying service products as tangible entities is that everyone has them. Their concreteness also makes them measurable.

If there is any doubt in your mind about your own product, stop here and review what you've just done. Focus on the product you've identified as your own for the rest of this article.

Step two: differentiate customers by role-- "Get close to your customers" is perhaps the admonition of the 90s. Unfortunately, all customers are not equal in priority, power, need, or role. We need a way to handle competing customer expectations for our and their optimum benefit.

It is not enough to recognize that we have internal customers and external customers. The internal/external dichotomy oversimplifies. This view can also create confusion by classifying customers based on location or organizational affiliation. I often see internal organizations like marketing and engineering referring to each other as customers. That may feel good and represent an attitude promoting teamwork. But, the reality is that this view may have only marginal practical significance when confronted with the day-to-day details of running the business.

Customers actually have three primary roles. These roles are always determined by the specific product in question, not necessarily by organizational membership. These customer roles are briefly described below:

- *End users* are individuals or groups who use the product to achieve a desired outcome. They are the folks we ostensibly had in mind when we designed the product. There are usually more end users than any other kind of customer.
- *Brokers* transfer the product to someone else who will use it. They may either act as an agent of the end user or as an agent of the producer. As an agent of the end user, the broker makes the product more accessible, easier to use or more appealing. As an agent of the producer, the broker "encourages" the end user to accept the product.
- *Fixers* transform, repair or adjust the product at any point in its life cycle for the benefit of end users.

Our goal should always be to satisfy the end user customers. Unfortunately, we may inadvertently focus on satisfying brokers' needs. This can easily happen by not differentiating customer roles. An example will illustrate this point.

An insurance policy is a product. The consumer is the end user and the sales person is the broker. The producer (insurance company) may ascribe more importance to broker/salesperson needs than to user needs. The fixers may be customer service personnel. Fixers generally have the least power over the design of a product. Brokers often have the most power.

Part of the difficulty in dealing effectively with brokers is identifying which of the two major roles they happen to be playing: agent of the end user or agent of the producer.

To further complicate things, we all know brokers sometimes represent their own interests. If we are to be effective in meeting our end users' needs, we must be able to distinguish them from other types of customers.

This does not mean brokers are bad folks. They aren't. It's just that they and producers can get confused about who the most important customer is--the end user. There is a saying attributed to Ishikawa, "The next person in the process is your customer." The problem is that it may be a broker who we inappropriately treat as an end user.

Steps three and four: transform the voice of the customer into product design criteria, then measure it--Measurement is management's way of saying "we care." Producer-centered organizations heavily favor financial information. Their four commonly used measures--profitability, productivity, specification-based quality and schedule--illustrate their cultural priorities. There are several drawbacks to using these measures in the traditional manner:

- Management activity is focused on improving measures which may have little relationship to customer interests.
- They may not be integrated or organized by product.
- It is difficult to determine how changes in one variable impacts others.

Customer-centered organizations take pains to measure what customers care about. Our research indicates that customers consistently look for three specific types of attributes in virtually all service products: ease of use, timeliness, certainty (consistency, accuracy, reliability, etc.).

Through working with thousands of managers in all industries, we have found producers very rarely measure these service products attributes. Lack of measures like these makes it virtually impossible to proactively address customer expectations.

Comparing Performance Measures

Your quality measures for each service product should be tailored to the specific product's most important attributes. Service quality measures should be at least conceptually related to the customer's desired outcomes from using the product. Our challenge is to specifically design products with the customer's expected outcomes in mind. Quality function deployment tools facilitate this design and evaluation process.

Requirements have both performance and perceptual attributes. It is the (often neglected) perceptual attributes which relate to packaging or appeal. The use of graphics in displaying data, rather than number filled tables, is an example of how perceptual attributes can make a financial report satisfactory to an internal customer.

When the central data processing departments couldn't or wouldn't provide internal users (customers) with easy to read graphs, many customers took matters into their own hands and turned to personal computers to produce their own graphs. Thus, the birth of the PC revolution.

Step five: unleash outcome-based innovation--Improvements in the performance and perceptual attributes of a service product often use convergent thinking. That is, we make steady, incremental, measurable modifications of the same product. This is often referred to as continuous improvement.

True leadership in satisfaction also requires divergent thinking (innovation) which is focused on the results desired by the customer when he/she uses the product.

Normal, or producer-centered improvements naturally flow from convergent thinking. Divergent thinking is driven by customers' outcome expectations. Our watchwords should be: quality and innovation drive change.

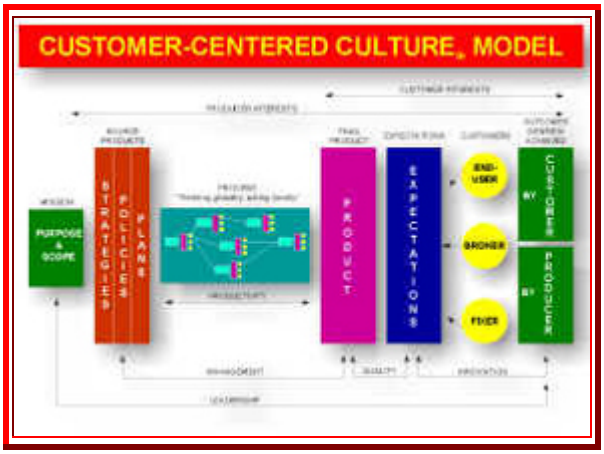
A better training manual or a different way to deliver training? The difference between convergent and divergent thinking may be illustrated by an experience of our firm with the training department of an already quality-conscious equipment manufacturer.

Using convergent thinking, they had already identified one of their training manuals as a service product that needed improvement. They had determined that the end users of the manual couldn't read well enough to easily use and understand the manual. They had decided to rewrite the manual at a lower reading level and asked us for assistance.

Using divergent thinking we asked them what outcomes they were trying to create. They said they wanted manual end users "to be able to successfully operate the equipment within X hours and cause no damage."

We then asked if they had considered using audio tapes (we had observed that many of the equipment operators used Walkman-like radios) or interactive video plugged into the equipment. They hadn't. This dialogue opened up a whole new avenue for them to achieve innovative training materials and an excellent way to differentiate their equipment from that of their competition.

Focus on outcomes! The key to moving from quality to innovation is to consider the outcomes or results desired by customers in their use of our service products. The steps of defining the service product, differentiating customers, defining expectations and measuring quality all deal with effectiveness. All the components on the right side of our C3 model address effectiveness. They answer the question, "Are we doing the right thing?" By addressing these issues first, we know which types of customers expect what from our products, why and how well we're doing to provide it. Then we can tackle the process.



C3 Model

Step six: redesign for zero time--The next step is to redesign the process which creates and delivers the service product. Traditional quality improvement methods would encourage us to reduce process variability. This is important to achieve certainty but represents producer priorities.

Cutting process time by 80 percent--Ease of use and timeliness are the recommended starting points in service quality. Convergent thinking will typically cut 15-25 percent from process time. Our objective of 80 percent cycle time reduction can only be achieved on the first pass by divergent redesign.

Flowchart the service process. Graphically describing the flow of service activity is an excellent way to see what is actually being done by whom; identify targets of opportunity; and reduce complexity, time and cost.

Approval time as inspection time. One big contributor to complexity, cost and time in service processes is inspection. Every approval required in a process represents an inspection. It is not uncommon to have several signatures required for internal service products like personal computer purchase requisitions. Each signer is really an inspector.

The question to ask is: Why is this approval necessary? The answer frequently is that written product requirements (the basis for approval) are either subjective, inconsistent, nonexistent or inadequate. As a result, subjective analysis is applied on a routine basis at high cost and extended time.

Impact on teamwork--In addition, the inspection/approval points can easily convey two messages to those who worked on the product earlier in the process: 1. "We don't trust you," and/or 2. "You're not competent." Such inspections/approvals clearly do not contribute to a sense of teamwork.

Many organizations are making efforts to address process issues. Unfortunately, the focus is usually on the producer's process instead of on the end user/customer. The customer-centered culture puts heavy emphasis on the end user's process with special attention to time. Once 80 percent of the customer-experienced time is redesigned out, then work to reduce variation.

Organizing For The Six-Step Process

If you are convinced that the six-step process described above has merit, how should you organize yourselves to put it to work? Typically, a cross-functional team is formed to translate customer needs into product and process redesign.

The service product itself is the organizing criteria--The selection of the product determines which problems are addressed. In other words, problems are grouped by product.

Just-in-time training--Training is provided to the team members on a just-in-time basis. Only the specific training needed by the team members is provided, at the time it's needed.

Select high impact items--The customer-driven change strategy uses projects, focused on specific products, to achieve high impact at minimum time and cost. However, even this approach to change will have limited success unless the conditions are right.

Are your organization's weather conditions right? The first condition for success is high readiness. This refers to the receptiveness of individuals or groups to change. We need to accept the fact that the people in any organization differ in their readiness to change. Use this knowledge to guide the selection of the projects, project sponsors and team members. People who have to be dragged, kicking and screaming, are not ready.

We're looking for a few good people. When starting the change process, we recommend restricting access to the program. Consider reframing the recruitment slogan of the Marines into: 'We're looking for a few good people.'

Not only is it critical to have the right people involved during start up, by limiting access to the program, you will drive up demand for involvement. Consider both readiness and capability to contribute. And be sure to fully support the ready few who will lead the change.

Is the project an obviously high impact one? The second condition for success is high potential. This refers to potential of the project to address a significant business issue. The intent is to address substantive issues of interest to internal or external customers.

When you're done, will everyone notice? High visibility of results (not activity) is the third condition for success. That is, when the project is successfully completed, others will notice the impact. High visibility successes are very important to expanding organizational involvement, sustaining the

change process and transforming the culture. As the success builds, it will become important to increasingly open up the change process to broader involvement, as fast as possible.

Summing Up

We have seen three major strategies for change in the United States:

1. **Problem-driven change.** Zero defects programs exemplify this change strategy. While these efforts can be both valuable and effective, they are not sufficient. They are often dependent on convergent thinking. Remember, we can have defect-free buggy whips but who will want them?

2. **Training-driven change.** When management identifies an issue like quality which has strategic importance, training is often used as the vehicle for initiating the change process.

The up side to this strategy is that we may provide new skills to our people. The down side is that they won't use them because a context for application is missing. Experience strongly recommends global education, but just-in-time training. To understand the difference, consider your teenager enrolled in sex education, and how you'd feel if it were training.

3. **Customer-driven change strategy.** Here, we use the six-step process outlined earlier to identify a specific product for focus. The three types of customers for that product are identified and their prioritized needs are defined.

Creating a customer-centered culture means thinking differently. It concerns what we create for whom and our governing values. Focus and experimentation on internal service products and processes creates a good foundation for applying the philosophy and methods externally. When we can win the home games, there is greater probability of winning the away games and achieving a competitive advantage.